

National Institute of Occupational Safety and Health - 2013

The audit of financial statements of the National Institute of Occupational Safety and Health 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 information, 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 17(3) of the National Institute of Occupational Safety and Health Act, No. 38 of 2009. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14(2)(c) of the Finance Act, appear in this report.

1.2 Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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

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-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 judgements, 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 powers 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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the National Institute of Occupational Safety and Health 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 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Finance Act, No. 38 of 1971	
(i) Section 10(5)	Even though the temporary surplus money should be deposited with the General Treasury to be obtained as and when required the surplus of Rs.12,733,876 for the current year had not been so deposited.
(ii) Section 11	A sum of Rs.9,253,244 had been invested in fixed deposits during the year under review without the approval of the Minister of Labour and Labour Relations given with the concurrence of the Minister of Finance.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulations 103(1)(e), 104(1)(a), 104(4) and 105(1)(c)	Action in terms of the regulations had not been taken on Laptop Computer misplaced on 23 April 2012.
(ii) Financial Regulation 756	A Board of Survey of the Library books of the Institute had not been conducted.
(c) Treasury Circular No. IAI/2002/02 of 28 November 2002	The Institute had not maintained a Register of Assets for Computer Accessories and Software.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the National Institute of Occupational Safety and Health for the year ended 31 December 2013 had resulted in a surplus of Rs.12,722,049 as compared with the corresponding surplus of Rs.11,001,880 for

the preceding year, thus indicating an improvement of Rs.1,720,169 in the financial results for the year under review. The increase of the surplus had been mainly due to the increase of income of sundry courses by 92 per cent.

3.2 Financial Review

The ratio of expenditure to the income in the year 2012 had been 34 per cent and that had increased to 43 per cent in the year 2013. The income earned in the current year had improved by a sum of Rs.5.8 million over that of the preceding year.

4. Operating Review

4.1 Properties not formally vested

The land and the buildings in which the Institute premises is established belongs to the Department of Labour and action had not been taken either for effecting the transfer of the property or to enter into an agreement.

4.2 Staff Administration

The following observations are made.

- (a) The approved cadre in 13 posts had been 25 and action had not been taken up to the date of audit for filling 15 vacancies that existed over several years.
- (b) Even though the Health and Sanitation Officers included in those vacancies are essential for the achievement of the objectives of the Institute those officers had not been recruited.

5. Accountability and Good Governance

5.1 Corporate Plan

A Corporate Plan for a period not less than three years had not been prepared in terms of Section 5.1.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

5.2 Tabling of Annual Reports

The Annual Reports of the Institute from the year 2010 had not been tabled in Parliament and the Annual Report for the year 2011 had been forwarded to the Ministry on 28 February 2013

6. Systems and Controls

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

- (a) Planning
- (b) Financial Management
- (c) Staff Administration
- (d) Motor Vehicles Control