

National Institute of Social Development – 2016

The audit of financial statements of the National Institute of Social Development for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance , statement of changes in equity 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 18 of the National Institute of Social Development Act, No.41 of 1992. 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. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Institute on 18 August 2017.

1.2 Management’s Responsibility for the Financial Statements

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

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 Auditing 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 judgement, including the assessment of the risks of material misstatement 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 the 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.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

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 2016 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

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Even though the physically calculated stock as at 31 December of the year under review amounted to Rs.541,201, that value had been included as a sum of Rs.836,338 in the financial statements. As such, the stock balance as at the end of the year under review had been overstated by a sum of Rs.295,137 and the deficit of the year had been understated by that amount.
- (b) Capital grants amounting to Rs.5,832,151 received from the Treasury for the year under review to the Institute of Social Development, the deficit of the year as well had been understated by that amount on it being brought to account as income of the year and the Treasury provisions opening balance amounting to Rs.14,571,241 had not been stated in the comparative statement of financial position.
- (c) Provisions had not been made available for the audit fees payable to the Auditor General's Department for the audit of financial statements relating to the preceding year and to the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Institute for the year ended 31 December of the year under review had resulted in a deficit of Rs.2,739,560 as against the corresponding surplus of Rs.10,428,163 for the preceding year, thus indicating a deterioration of Rs.13,167,723 in the financial result in the year under review as compared with the preceding year. The increase of the course income by a sum of Rs.3,415,400 in the year under review and the increase of personnel emoluments and course fee expenses by a sum of Rs.8,369,465 had been the main reason for the above deterioration.

In analyzing financial results of 04 preceding years and in the year under review, even though a financial deficit had indicated from the year 2012 to the year 2014, it had been a financial surplus in the year 2015 and it had again indicated a financial deficit in the year 2016. However, in adjusting personnel emoluments and depreciation on non- current assets again, the contribution of the Institute amounting to Rs.30,319,643 had continuously improved and had been a sum of Rs.72,068,787 in the year 2016.

4. Operating Review

4.1 Performance

The following functions were scheduled to be executed in terms of Section 03 of the National Institute of Social Development Act No.41 of 1992.

- (a) Advising the Minister regarding plans, programmes and activities for the promotion of social work and social development education.
- (b) Conducting undergraduate and postgraduate courses in social work and social development.
- (c) Conducting and promoting studies on the social welfare system and social development programmes.
- (d) Initiating and promoting innovative practices in the social work and the social development education system, including adaptation of technology in social work.
- (e) Making provisions available for the development of professional and managerial competence of personnel in the social welfare system.
- (f) Making available to the Government and other approved organizations, specialist services in social work and social development.
- (g) Co- operating with other institutions having similar objects.

The Institute had prepared an Action Plan for the year under review for its 04 main divisions and, the following observations are made according to the Performance Report prepared in the year under review relating to it.

(a) School of Social Works

- i. Even though it had been planned to recruit 180 students in Sinhala, Tamil and English mediums for the Bachelor of Social Work for the academic year 2016/2020 according to the Revised Action Plan furnished for the year under review, 55 students had been recruited for English medium and students had not been enrolled for Sinhala and Tamil mediums.

- ii. Even though action should be taken to conduct the relevant examinations only after completing 100 per cent of lecture hours for each semester, examinations had been conducted without completing 100 lecture hours.
- iii. The number of students registered in three languages for the Bachelor's Degree in Social Work from the year 2013 to the year 2015 had been decreased by 30 per cent by the end of the year under review.
- iv. Even though the examinations relating to Bachelor of Social Work, Diploma in Social Work and Higher Diploma in Social Work in the academic years 2012/2016, 2013/2017, 2014/2018, 2015/2019 should be conducted in the year under review, those examinations had not been conducted.

(b) Training Division

- i. The Diploma in Counseling conducted in the Kilinochchi District Secretariat Office for the officers of the Government and Non-Governmental Institutions and for the personnel of voluntary organizations and for the students passed the Advanced Level Examination should be initiated in the year 2014 and had to be completed in the year 2015. However, the awarding of Diploma certificates after the release of the final results of the Diploma had been delayed for one year and 03 months.
- ii. It had been planned to conduct the Diploma in Gerontology in the years 2014/2015 for the officers of the Government and Non-Governmental Institutions and for the personnel of voluntary organizations and for the students who passed the Advanced Level Examination and, 25 students had participated for it. Even though results had been released in the year 2015, the awarding of certificates had been delayed for over a year.

(c) Social Development Policy, Research and Publication Division

Preparing social development policies, conducting research and launching publications are carried out by this division and a sum of Rs.1,323,000 had been allocated for thirteen programmes under the Action Plan of the year under review.

The following observations are made in this connection.

- i. Conducting courses, collecting research data and conducting interviews only had been carried out for Ranna, Ampara, Kilinochchi and Thalawa regional centres. However, specific courses had not been initiated in those centres up to date.

- ii. Even though it had been stated in the Action Plan to print the Research Report on Inquiring on the Impact of the Art of Modern Tele Drama towards the family structure in 200 copies, about 100 copies being printed in the year under review, its physical progress remained at 50 per cent. Moreover, printing books and scholastic magazines according to the expected plan remained at a low level and, they had not been distributed to the relevant division or to the relevant persons in the year under review.

4.2 Personnel Administration

The following observations are made.

- (a) The approved cadre of the Institute as at 31 December of the year under review had been 137 and the actual cadre being 113, 24 vacancies remained. Ten posts such as 04 posts of Senior Lecturer, 03 posts of Senior Research Officer and the post of the Professor as well remained vacant up to 30 June 2017. It could not be neglected in the audit that the posts of these lecturers remaining vacant did not affect in not being able to conduct most of the courses of the Institute.
- (b) Even though a Senior Officer of its immediate position should be appointed for acting in appointing for acting for the post of Director (Administration and Finance), an officer who serves for a post of a lower grade had been appointed despite there were three officers who serve for that post. Moreover, even though an acting post is susceptible for a period of 3 months, the acting appointment had been awarded and salaries and allowances had been paid, despite it had been over 3 years to fill the vacancies of the relevant post and until a permanent officer is appointed for that post.
- (c) A female officer who was not acquired with fundamental knowledge on Accounting, who was serving for a post in the category of Academic and Research Services, had been appointed on 01 March 2017 by revising in a manner that is relevant to this instance as a post in the “category of Academic and Research Services”, the condition that the candidate should be acquired with at least 5 years of experience in a Grade I post “in the category of Management Services”, the qualification required in making recruitments from internal candidates for the post of Director (Administration and Finance), according to the approved Recruitment Procedure.

5. Accountability and Good Governance

5.1 Internal Audit

Even though the Internal Auditor should directly report to the Chairman of the Institute according to the Organizational Manual of the Institute, reports had been furnished to the Director General, the Chief Executive Officer, by the Internal Auditor.

5.2 Budgetary Control

The budget had not been made use of as an effective instrument of management control on not preparing the budget for the year under review by including the expected course income and expenditure.

6. Systems and Controls

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

Areas of Systems and Controls

Observations

(a) Accounting

Some of the Accounting not being accurate and the existence of unsettled accounts balance.

(b) Budgetary Control

The income earned in addition to the Treasury provisions not being considered in preparing the Budget.

(c) Personnel Administration

Not appointing officers on specific qualifications, not carrying out proper evaluation training of officers and the official time.