

National Institute of Education - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.2 of this report, the financial statement give a true and fair view of the financial position of the National Institute of Education as at 31 December 2013 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

Following observations are made.

- (a) The draft financial statements for the year under review had been submitted on 28 February 2013. The audit queries on financial statements were issued after the audit of accounts. The amended financial statements had been furnished on 12 June 2013 after making correction entries amounting to Rs 30,311,575, out of accounting deficiencies amounting Rs. 32,880,333 pointed out through such audit queries. The risk on existence of similar deficiencies which were not detected in the test checks could not be ruled out in audit.
- (b) The profit amounting to Rs. 43,478 earned during the year under review on disposal of assets had not been identified and adjusted in the financial performance report.
- (c) The balance amounting to Rs. 2,525,275 which was included under current assets and shown in the statement of financial position as at 31 December 2011 had been adjusted to the reserve on profits generated through disposal of assets without obtaining an authority from relevant parties. Thus the balance shown in that account had been omitted from the financial statements.

1.2.2 Accounts Receivable and Payable

Following observations are made.

- (a) A sum of Rs.3,237,800 receivable in 2008 from Ministry of Education for printing of evaluation question papers for schools could not be recovered during the year under review.

- (b) Loan balances aggregating Rs.294,722 to be recovered from four officers who vacated in the service had remained outstanding over 12 years.

- (c) Allowances for incidental expenses and warm cloths amounting to Rs.60,431 paid to an officer who obtained a leave on foreign visit for higher education purposes had remained outstanding for over two years as respective officer had not returned to the island and reported for duties.

1.2.3 Non- compliance with Laws, Rules , Regulations and Management Decisions

The following non- compliance were observed.

Reference to Laws, Rules and Regulations
etc

Non- compliances

- (a) Financial Regulation No.104 of Democratic Socialistic Republic of Sri Lanka

Investigations should be carried out immediately on vehicle accidents to determine the losses and the responsible parties. However, action had not been taken on vehicle accidents met in three occasions, as required by Financial Regulations.

(b) Treasury Circular No IAI/2002/02
of 28 November 2002

A Fixed Assets Register had not been maintained for computers valued at Rs.14,000,000 as required by the Circular.

(c) Circular No 155 dated 30 December 2011 of Ministry of Finance and Planning

The maximum amount of distress loan for a public officer should be limited to Rs.250,000. However, distress loans aggregating Rs.3,803,191 had been granted to 53 officers exceeding the above limit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Institute had resulted in a deficit of Rs.34,626,857 during the year under review as against the surplus of Rs.41,078,116 for the preceding year. The decline of the operation revenue by Rs.79,905,282 was the major reason for decrease of the financial results by Rs.75,704,973 compared to the financial result of the preceding year.

2.2 Legal cases commenced against or by the Institute

Following observations are made.

(a) Four legal cases had been filed by the Institute claiming compensation aggregating Rs.10,681,604 against four officers who violated the compulsory service agreements and defaulted in payment of guarantee bonds.

(b) Three legal cases had been filed by two officers and a trainee against the Institute to get reinstated in the posts and to obtain course certificate respectively.

3. Operating Review

3.1 Performance

Ten examinations, out of 23 examinations planned to be held in 2012 had not been held. The results of 05 examinations out of 13 examinations held before 2012 had been released with a delay ranging from 12 months to 28 months. Further, the results of 04 examinations held in first quarter of 2012 had not been released even by the date of audit on 11 April 2013.

3.2 Operational Inefficiencies

Following observations are made.

(a) Advances aggregating Rs.586,600 had been refunded in 31 instances as a result of payment of advances in parts to a same workshop with a maximum limit of Rs.20,000.

(b) An officer who obtained leave to visit abroad for education purpose in the year 2007 had to be paid a penalty of Rs.353,840 on violation of compulsory service agreement, salaries amounting to Rs.704,734 for leave with pay for two years period, expenses amounting to Rs.122,069 incurred by the Institute for the respective period and salaries amounting to Rs.154,642 for the period for which was not reported to duty after arriving the island. The Director General had informed that the legal action had been taken to recover the total dues aggregating Rs.1,335,285 as mentioned above.

3.3 Idle and Under- utilized Assets

Books valued at Rs.2,111,775 printed in three languages in the year 2010 for the use of centers for non-graduate teachers had remained undistributed even by the end of the year under review.

3.4. Deficiencies in Contract Administration

Consultancy fees amounting to Rs.1,200,949 had been paid in 2008 to a private institute for the purpose of designing and preparation of Bill of quantities , tender document etc to construct a lavatory system for three storied hostel. The Director General had later decided on 11 June 2012 that respective improvement by expending a large sum of funds was uneconomical and fruitless as the building was old more than 20 years. Therefore, it was observed that the amount of Rs.1,200,949 shown under work-in-progress was fruitless.

3.5 Projects Implemented with Delays

Following observations are made.

(a) A contract had been awarded at a cost of Rs.115,000 to a private party to demolish a water tank which was not in usable condition and required to complete the contract on or before 17 August 2011. However, the respective task had not been completed on or even by 10 April 2013.

(b) The contract to erect a barbed wire fence around the part of the land of the Institute which facing to the paddy field had been awarded at a cost of Rs.91,850 to a second highest bidder without disclosing any reason for rejecting the lowest bid made at Rs.78,650. However, the contractor had later informed that the contract could not be completed at the accepted cost. The task could not be completed even by 05 April 2013 as a result of taking action by the procurement committee to re- tender the task.

4. Accountability and Good Governance

4.1 Action Plan

The Institute had failed to conduct 224 work shops, out of 1,194 workshops were expected to conduct as per the Action Plan for 2012. Details are given below.

	Workshops Expected to Conduct as per Action Plan	Workshops Conducted	Workshops not Conducted
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Department of Languages , Humanitarian and Sociology	497	408	89
Faculty of Science and Technology	257	197	60
Faculty of Planning, Research and Teaching	110	75	35
Faculty of alternative Education and Teacher Education	330	290	40
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	1,194	970	224
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4.2 Budgetary Control

Variances ranging from 11 percent to 1509 percent were observed between the budgeted and actual expenditure during the year under review thus indicating that the Budget had not been made use of as an effective instrument of management control.

5. System and Control

The observations made during the course of audit had informed to the director General of the Institute time to time. Special attention is needed on following areas of control.

- (a) Assets and Stores Control
- (b) Printing of Books
- (c) Budgetary Control
- (d) Foreign Travelling for Studies
- (e) Conducting Examinations and Release of Results
- (f) Procurement