



**NATIONAL
BUILDING
RESEARCH
ORGANISATION**

2011 ANNUAL REPORT

Ministry of Disaster Management



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VISION

“Creating a safer built environment”

MISSION

Promote and sustain research and development and provide technical services for disaster risk reduction and safer built environment

CORPORATE GOALS

- To become centre of excellence in DRR and ensuring safer -built environment**
- To ensure institutional sustainability**
- To be a competent technology provider**
- To continue functioning as the national focal point for landslides and associated geo hazards**
- To continue as a centre for technological information**

MANAGEMENT OF NBRO

MINISTER IN CHARGE OF THE SUBJECT

Hon. Mahinda Amaraweera

Minister of Disaster Management

Hon. Dulip Wijesekara

Dy. Minister of Disaster Management

INTERIM MANAGEMENT COMMITTEE

Mrs. S. M. Mohamed (Chairperson)

Secretary, Ministry of Disaster Management

Dr. Asiri Karunawardena,

Director General, NBRO

Mr. G.B. Samarasinghe,

Director General, Dept. of Meteorology

Maj. Gen. Gamini Hettiarachchi (Retd.),

Director General, Disaster Management Centre

Mr. Sanjeewa Wijesinghe,

Deputy General Manager Civil Works

Central Engineering Consultancy Bureau

Mrs. K Gunawardena,

Additional Director General, Dept of Public Finance,

SENIOR MANAGEMENT

Dr. Asiri Karunawardena

Director General

Mr M.D.C. Perera

Head, Environmental Division

Mr R.M.S Bandara

Head, Landslide Studies & Services Division

Mr Kishan Sugathapala

Head, Human Settlement Division

Ms. J. K. Jayawardana

Head, Project Management Division

Mrs S. Muthurathna

Head, Building Materials Division

Ms. Karuna De Silva

Head, Geo- Technical Engineering Division

Ms. N. Wijegoonawardana

Head, Human Resource Management Division

Ms R. Thudugala

Head, Finance Division

Presently a Cabinet approved Interim Management Committee (IMC) with Secretary of the line ministry as the Chairperson guides and directs the administrative, financial and management functions of NBRO.

CHAIRPERSON'S REVIEW



It is my pleasure as the secretary to the Ministry of Disaster Management and the Chairperson of the Interim Management Committee of National Building Research Organisation, to present before you the Annual Report of NBRO for the period January to December 2011.

The report presents you a full cross section of NBRO's technical capabilities and its financial sustainability as leading multi-disciplinary Research and Development institution which makes a significant contribution to the national development.

During the reporting period NBRO performed well across diversified subject areas such as landslide hazard identification, zonation, mapping, vulnerability assessment, awareness and mitigation that are commonly known. The soil testing laboratory at NBRO is over 25 years old, where geotechnical

engineering investigations of most large development projects in the country had been done. Testing of building materials for suitability in construction and certification are done at its well-equipped materials laboratory. A unique service of condition reporting of damaged buildings, and project management in construction projects are some of the services provided in the area of project management. Human settlements planning and developing cost effective housing are the other classical services of NBRO. Environmental quality assessment of water, wastewater, soil, sediment, air and emissions ensuring safety of humans and environment, and related studies leading to impact studies and status management are other services widely sought from NBRO. During year 2011 NBRO's technical support in disaster related activities for my ministry is commendable.

I am delighted to report that in spite of number of difficult conditions faced during last couple of years, the year 2011 proved to be a very positive year. NBRO recorded a consolidated revenue of 182 Mn. LKR reflecting a growth of 43 % over the previous year. The customary NBRO services show remarkable growth (53 %) at around 108 m LKR in 2011.

The revenue growth was also driven by stepping into mitigation and stabilizing

hazardous landslides in the country which is considered as a decisive step that direct and orient NBRO's future. Since March 2011, issuing landslide clearance certificates / recommendations for development activities in landslide prone areas by NBRO became a pre-requisite of building permits issued by a local authority. This has created an additional work load to NBRO. The landslide mitigation projects have spurred up NBRO capacity for embarking on large projects, demanding staff recruitment, equipment procurement and escalated budgets.

As an expert technical R & D institution under the Ministry of Disaster Management the years ahead will be especially challenging to NBRO with the increasing trend of disasters and development boom. NBRO needs to foster an organizational culture and develop innovative strategies to address complex and challenging situations of disasters and will be able to play a wider role by strengthening its ties with the ministry that will enable NBRO to be even more nimble in a fast-changing dynamic environment.

In conclusion I take this opportunity to commend our Director General, Dr. Asiri

Karunawardena and his team who have worked with enduring commitment and loyalty to engage every opportunity that has come our way. The quality of our performance is attributed to this remarkably competent team, their knowledge, skills and professionalism which is the backbone of NBRO. I am particularly delighted with the energy and enthusiasm with which they have dealt with the challenges.

I extend my sincere thanks to the members of the Interim Management Committee whose leadership and foresight has steered the NBRO to success. In addition I express my thanks to our stakeholders for their continued confidence and trust placed on us.

I am sure we all will stay together as we strive to create greater value in our endeavor and contribute towards the progress and prosperity of our country



S M Mohamed

Chairperson

Interim Committee of Management,

National Building Research Organisation

(Secretary / Ministry of Disaster

Management)

DIRECTOR GENERAL'S REVIEW



It gives me great pleasure to present the Annual Report and the Financial Statements of the NBRO for the year ended 31 December 2011.

The year concluded, saw the NBRO as a public enterprise excelling its performance in all areas and is heading successfully towards achieving its corporate objectives. NBRO was established 27 years ago to cater the requirements of national development boom especially in the housing and construction sector. In order to cater the mandate of the present ministry of Disaster Management, the Corporate Plan and most activities have been redesigned taking "Disaster Risk Reduction" as the main focus. At present NBRO is functioning as the R & D entity for the Ministry of Disaster Management with special reference to deal with all matters concerned with disaster risk management in order to build the disaster resilience in the country.

As one of the lead organisations in DRM sector, NBRO certainly became as the most respected and well managed organisation in the sector. Today we have built a reputation in the field as one of the most trusted technical service provider organisations in the country.

EXPERTISE

NBRO, with its reputation as a research organization and a technical service provider, plays an active role in the areas of disaster studies, building materials, environmental, geotechnical and construction engineering and urban and human settlements planning. NBRO has established its capacity as a competent institution in landslide hazard and slope instability studies and in their mitigation. We currently function as the national focal point for landslides and associated geo-hazards. As per the mandate, NBRO carries out field surveys for identification of landslide potential and hazard mapping. Issuing landslide clearance certificate/ report for development activities in landslide prone areas by NBRO has become a pre-requisite for building permits issued by the local authority.

The building materials laboratory is recognized by SLSI to provide test certificates for building materials and does quality testing of building materials for the construction sector. Providing architectural, structural and building services designs and project management services to the construction sector and in addition, assessment of damaged buildings, is a notably important service in which NBRO is presently specialized. We have established its reputation as a recognized body to carry out geotechnical investigations including drilling, laboratory testing and providing professional services on foundation designs and retaining structures etc. The Environmental laboratory is recognized by the Central Environmental Authority as a reputed professional body to provide environmental testing services for compliance monitoring, and studies on EIA, SEA etc. With this performance

today NBRO has grown to become an experienced and successful technical service provider and a research and development institution after expanding its expertise in a wide range of disciplines.

REVENUE

GOSL funds are provided for landslide disaster risk mitigation as a national priority. In addition, NBRO receives GOSL funds as capital expenditure for procurement of lab & field equipment given annually. In some instances foreign donor agencies and collaborating institutions have granted funds for research and project work of NBRO.

However NBRO heavily relies on self-earning and most of its financial requirements including recurrent expenditure are generated through consultancy & testing services offered to the state and the private sector. From 2007 to 2011 continuously a net profit was recorded, and the consolidated revenue of year under review was reported as the highest in the history of the NBRO. That is 182 Mn. LKR reflecting a growth of 43% over the previous year 2010. Testing and technical services shows remarkable growth at around 108 Mn. LKR in 2011, whereas the government grants for landslides and related research works have risen to 73 Mn. LKR.

CONTRIBUTION TOWARDS NATIONAL DEVELOPMENT

One of our goals is to assist the government in national development and thus enrich the quality of lives by alleviating poverty through Disaster Risk Reduction. The tasks of NBRO in disaster risk reduction was diversified into landslide mitigation, proper land use practices, testing and certifying building materials for strength properties, water,

air and noise monitoring for environmental compliances, testing suitability of soil etc.

Vulnerability due to landslide hazard has been significantly reduced over the past decade due to the intensive involvement of NBRO in landslide disaster risk reduction. Activities carried out by NBRO range from landslide mapping, investigations, issuing early warning at emergency based on continuous monitoring of the risk, hazard mitigation, training and awareness of vulnerable communities. Obtaining landslide clearance certificates for any construction and development activity in landslide prone is a requirement for building permit issued by the local authorities. These have become the key instruments in national disaster risk reduction programmes by which the government has been able invest on upcountry development through well-planned risk management systems, thus making remarkable savings on disaster relief and rescue.

Technical services provided by the institution in other areas of NBRO expertise also have contributed to planned development in the country, conserving resources, optimizing outputs and reducing the potential environmental and disaster impacts thus making significant savings in the national budget.

ORGANISATIONAL IMPROVEMENTS

NBRO's new web site was launched with the collaboration of ICTA. We were able to strengthen the capacity of equipment with the Government Assistance. Procurement of the Resistivity Sounding & Imaging System for landslide and geotechnical investigation spending around 11.0 Mn. LKR is a

remarkable achievement. The Triaxial Shear Testing Apparatus purchased from 2010 grants has commissioned in early 2011 in the geotechnical engineering laboratory. Government spent about 5.0 Mn. LKR. for this semi automated equipment for carrying out special geotechnical testing which is rare in any laboratory in Sri Lanka. Almost all scientists are provided with computers to increase the efficiency. Approval was obtained from IMC to expand the Building Materials Division and Administrative block. The new scheme of Recruitment and Promotion was approved by the Department of Management Services in the latter 2011. A well planned staff development program is underway. Local and foreign training opportunities will be available for our scientists to enhance their experience and knowledge.

Recent revitalization of research activities in NBRO necessitated continuation of the Research Committee which was inactive during the past. The present RC constitutes of both internal and external members representing scientific disciplines relevant to functions of NBRO. Key objective of the Research Committee is to centralize and streamline all R & D activities within the institution, promote the research culture in the institution, and facilitate research projects to support national development.

PARTNERSHIP WITH PRIVATE SECTOR

Private sector involvement in high tech consultancies is encouraged by the institution and NBRO collaborates with private sector in expediting complex projects. Further institution maintains a strong interaction with private sector as frequently clients seek NBRO services in multiple disciplines such as geotechnical engineering, environment testing and

assessments, landslide hazard risk assessment, building material testing etc.

CONSTRAINTS

There are many obstacles for NBRO for carrying out its development, and they are:

- ✚ Unlike other typical state-sector institutions, NBRO was never formed by a separate Act of Parliament. Rather NBRO has been established by a cabinet decision. Absence of an act for NBRO remains the major obstacle. The effort for establishing by a parliamentary act has been unsuccessful so far. However after the Cabinet decision in 2009 permitted drafting an act for NBRO. An act was carefully and meticulously drafted for creation of an institute as the successor to NBRO. The draft has been reviewed and it reaches the stage of presenting to the stakeholder consultation. The process of institutionalization should be accelerated to overcome this obstacle.

- ✚ NBRO not been considered as incorporated body due to absence of an act and this prevents obtaining accreditation of NBRO laboratories.

- ✚ Although a cadre for NBRO was approved the SOR was approved at the latter part of the year. This prevented timely recruitment of suitable personnel. Retaining of existing staff is also difficult because they leave for other employment offering higher remuneration and benefits. This situation is further aggravated by the fact that there are no incentive schemes for present employees although NBRO has been self-funding institution all the time.

OVERCOMING WEAKNESSES & THREATS

- ✚ Obtain legal recognition by enacting an act to perform present functions as an R & D entity catering for national needs especially that of the ministry for Disaster Management
- ✚ Develop a plan to fill the gaps in infrastructure facilities and skills; and a management system to ensure high standard professional outputs, quality assurance & professional status of staff
- ✚ Attract donor-funded grants and projects, through which investments can be made to strengthen institutional R & D and consultancy capacities
- ✚ Promote scientists to receive research grants from schemes offered by NSF and NRC regularly; utilize in full the facilities provided by the National Grant schemes; and obtain due recognition by participating in national research awards
- ✚ Give due recognition to R & D activities in the institution through a systematically established system and make R & D to be an integral part of scientist carrier profile
- ✚ Develop mechanism to release scientists to obtain fulltime postgraduate research qualification and experience
- ✚ Strengthen existing training and carrier development facilities
- ✚ Recognize high calibre professional work by a suitable framework such as introduction of performance-based assessment for carrier development, special incentives and rewards for high calibre technical works / consultancies and research work

FUTURE PLANS

The forecasts by the NBRO Corporate Plan for the coming year shows anticipated government grant as 146 m which is nearly 60% of the total budget 245 m. These figures may shift by a large margin because of speedy implementation of Stabilization of Garandi Ella Landslide which the government considers as a priority project and grants funds. In addition, funds are now being sought for stabilizing of other 47 sites identified as hazardous and implementation work would further exert stress to NBRO in moving its activities away from their nominal day to day work. Evaluation of the hazardous nature of these sites, and prioritisation of these sites according to the vulnerability were recently completed. At present four districts namely Kandy, Matale, Badulla and Nuwara Eliya have been selected for stabilisation work as the Phase I of this work. Landslides in other districts will be stabilised in Phases II and III subsequently.

Therefore, establishment of a strong project management / implementation unit focussed on speedy implementation of such projects is necessary for NBRO to execute this cluster of large projects. A multidisciplinary approach is also essential to make implementation of these projects a reality.

National Physical Planning Department (NPPD) in their recent Project Proposals Sri Lanka 2010-2030 identifies many future projects in which NBRO plays a significant role. Significant concepts in this plan are the creation of human settlements away from natural disasters and remediation and reforestation of endangered land as a disaster mitigation activity.

In this regard NBRO should propound sound project proposals after researching carefully and with much deliberation with stakeholders. NBRO has already identified many such areas needing changes in land use and it is nationally important for NBRO to continue assisting the NPPD in this work. In this, NBRO can propose projects of considerably long duration (say 5 - 10 years) and consequently, NBRO will then hold the role of a support institution for planning and implementing of NPPD schemes. As NBRO has already carried out the support role for identification of unstable areas and NBRO has the proven capacity for mitigation, NBRO can expect the government and other agencies to provide funds for important projects that NBRO may propose.

"Selection of suitable disaster resilient sites for establishing future townships in areas 3 km away from the coastal belt" and "reforestation of sensitive areas in hill country" is some tasks where NBRO is expected to contribute as a national need. In fact NBRO has been contributing to formation of many important criteria used by NPPD in their planning process and this further necessitates the NBRO contribution to successfully and effectively expedite the NPPD national plans.

Integrated Institutional Action Plan for Implementation of National Science and Technology Policy prepared by the National Science and Technology Commission jointly with R & D institutions in Sri Lanka identifies several research and development projects for NBRO. Research areas in these projects fall into the construction, building materials, geotechnical, settlement planning, risk management and environmental


technical fields. Although NBRO is identified as the R & D institution for particular work, it is still necessary to formulate research project and make good project proposals for seeking funds from government and other research funding institutions.

NBRO has considered the decentralisation of its testing and consultancy work presently done in the Colombo head office to the regional level by developing capacities of district offices. Establishment of laboratory units are considered as a priority.

APPRECIATION

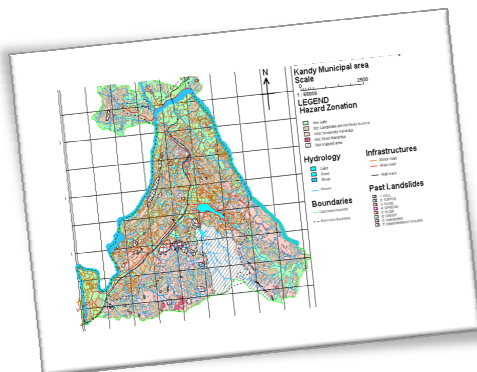
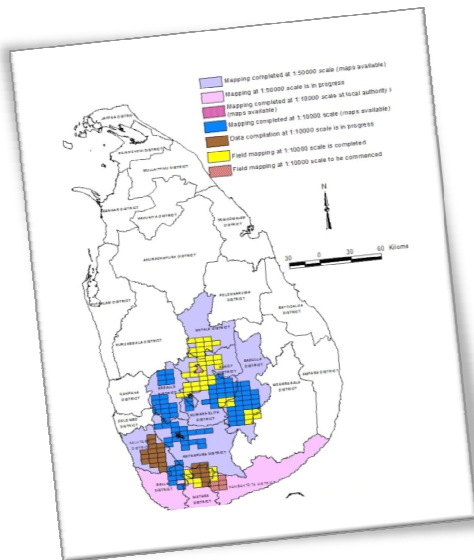
I take this opportunity to express my sincere gratitude to the Hon. Mahinda Amaraweera, Minister of Disaster Management, Hon. Dulip Wijesekae, Dy. Minister of Disaster Management and Mrs. S M Mohamed, Secretary of the Ministry of Disaster Management and Chairperson of Interim Management Committee whose leadership and foresight has steered the NBRO to this success. The Members of IMC, and the Director Generals of Department of Budget, Department of General Treasury, National Planning Department, Disaster Management Centre, Department of Meteorology, and the Executive Director of ADPC deserve great appreciation. In addition I express my sincere thanks to our stakeholders for their continued confidence on us.

Above of all without help of dedicated employees of the NBRO we will not be able to achieve these goals.



Eng. (Dr.) Asiri Karunawardena
Director General

OPERATIONAL HIGHLIGHTS 2011



The National Building Research Organisation (**NBRO**) has grown and diversified into a successful technical service provider and research and development institution where experts from multiple disciplines have teamed up and dedicated to create a safer built environment for the nation. NBRO's expertise extends into a wide range of disciplines such as landslides and related geo hazards, human settlements planning, geotechnical engineering, building materials technology, environmental management & engineering project management.

Over the years NBRO has developed its capacity to become a competent research institution in Sri Lanka and at present NBRO serves as the research arm of the Ministry of Disaster Management. NBRO recognizes the diversity of the problems faced by the nation in their living environment, and is geared up to achieve solutions to maintain and improve the quality of life of the people.



infrastructure and plantations and provide immediate recommendations to the District and Divisional Secretaries to ensure the safety of life and property when a landslide occur.

- NBRO also investigate the land selected for resettlement of families who have been affected by landslides. These activities were performed as national services.

- NBRO has established its reputation as a recognized body to carry out geotechnical investigations including ground exploration and testing of geo material in its well equipped laboratory. Research on understanding the behaviour of residual soil, expansive soil and peaty soil and finding appropriate construction technologies over the problematic soil types have given prime concern

- Providing testing and quality control services in the field of building and construction materials and assisting the industry in the implementation of quality control functions, continued to strengthen the financial viability of the institution

- Providing consultancy services on water and wastewater testing, and monitoring of air quality, emissions, noise levels and vibration for environmental studies on various development projects were undertaken.

- Project management services including condition assessment and evaluation of damages in the existing buildings and preparation of condition reports including recommendations for defects rectification and structural stability are also undertaken during the year 2011.

FINANCIAL HIGHLIGHTS

REVENUE

For the year under review the NBRO recorded consolidated revenues of Rs. 182 Mn. LKR reflecting a growth of 43% over the previous year.

The budget of customary NBRO services shows remarkable growth at around 108 Mn. LKR in 2011, whereas the government grants for landslides and related research works have risen to 73 Mn. LKR.

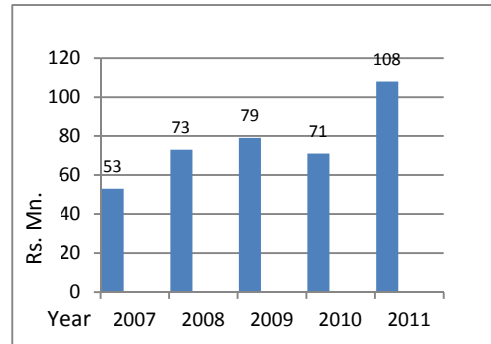
Revenue growth was driven by the stepping into mitigation projects by NBRO for stabilizing hazardous landslides in the country which considered as a decisive step that direct and orient NBRO's future.

This has created an additional work load to NBRO. These projects have spurred up NBRO capacity for embarking on large projects, demanding staff recruitment, equipment procurement and escalated budgets.

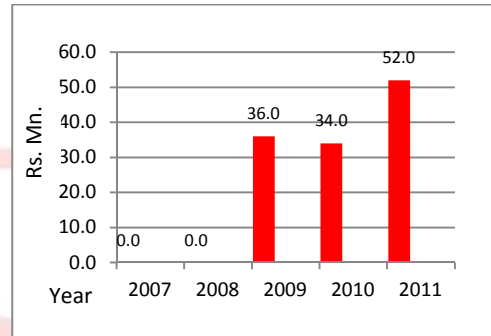
The forecasts by the NBRO Corporate Plan for the coming year shows anticipated government grant as 146 m which is nearly 60% of the total budget 245 m.

NBRO has assigned by a cabinet decision to issue building construction and development clearance for 10 landslide prone districts as a risk reduction measures. Accordingly 10 district offices are functioning since March 2011 and monthly expenditure of Rs. 3.0 million is incurred by the NBRO to date. Rs. 30.0 million is expected from the Treasury to cover these expenses incurred in year 2011 alone. Out of the total expenditure Rs. 30.0 million, Rs 10.6

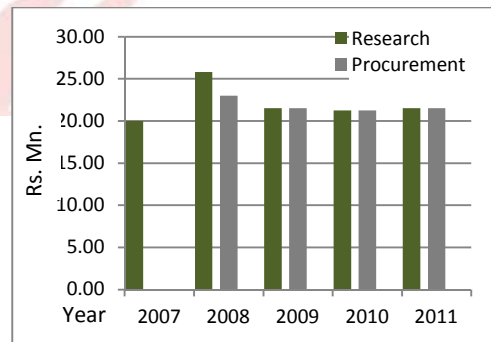
Income by Testing & Consultancy



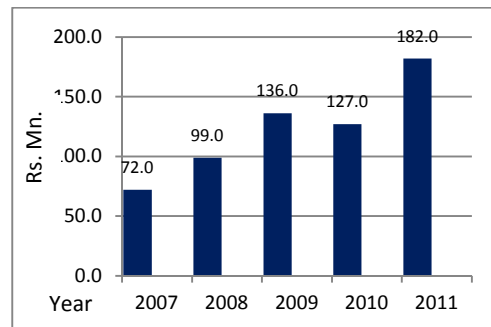
Landslide Mitigation Budget



Research Grant and Procurement



Total Income



million have been recovered from the respective local authorities and individual applicants by issuing the clearance certificates for a nominal fee.

The budgeted total expenditure for year 2011 was Rs. 189.25 million including Rs. 52 million for Mitigation of Peradeniya and Padiyapalalla landslides funded by the Treasury through Disaster Management Centre (DMC). As at 31st December 2011 only Rs. 16.0 million has been received through DMC and the balance expenditure has been met with internally generated revenue.

In addition the Government Grant for research (Landslide hazard mapping) Rs. 21.5 and Procurement of lab & field equipment Rs. 21.5 was expected to be received for year 2011, out of which only

Rs. 17.5 million and Rs. 15.0 million received from the respective grants. In addition Rs. 10.0 million grants were provided by the Treasury through DMC to meet the expenditure for landslide special investigations and recommendation of DRR. Rs. 6.5 million has been received so far and balance of Rs. 3.5 million is expected to be received.

The total operating revenue for year 2011 was Rs. 181.8 million while total operating expenditure for the corresponding period was Rs.162.5 million. The expenses on personal emoluments for the staff strength of 236 plus daily paid employees was Rs.94.4 million as against the staff strength of 203 plus daily paid employees was Rs.75.2 million in year 2010.



STATEMENT OF FINANCIAL POSITION

For the year ended 31st December
2011

	2011 Rs.	2011 Rs.	2010 Rs.	2010 Rs.
ASSETS				
Non - Current Assets				
Property ,Plant and Equipment	79,924,846.06		82,361,235.65	
Sundry Debtors (1991 to 2008)	5,266,577.03		6,065,479.97	
		85,191,423.09	<u>6,065,479.97</u>	88,426,715.62
Current Assets				
Inventories	705,366.59		295,206.44	
Refundable Payments	289,898.42		244,898.42	
Work In Progress	1,561,109.39		5,519,008.04	
Sundry Debtors (2009 to 2011)	16,281,604.84		20,402,336.50	
Sundry Receivable / Grants & Projects	49,911,229.02		200,000.00	
Deposits	4,416,731.57		3,220,579.30	
Advances	4,476,121.33		10,596,474.04	
Prepayments	335,158.95		135,390.00	
Cash and Cash Equivalents	<u>9,835,650.71</u>		<u>42,593,764.59</u>	
		87,812,870.82		83,207,657.33
Total Assets		<u>173,004,293.91</u>		<u>171,634,372.95</u>
LIABILITIES				
Current Liabilities				
Sundry Creditors	2,084,027.59		18,053,645.35	
Accrued Expenses	6,701,041.95		4,418,769.30	
Refundable Deposits	<u>2,262,276.95</u>		<u>872,370.00</u>	
		11,047,346.49		23,344,784.65
Non-current liabilities				
Welfare Fund	374,261.10		374,261.10	
Provision for Gratuity	<u>32,147,490.50</u>		<u>29,030,157.50</u>	
		32,521,751.60		29,404,418.60
Total liabilities		<u>43,569,098.09</u>		<u>52,749,203.25</u>
Total Net Assets		<u><u>129,435,195.82</u></u>		<u><u>118,885,169.70</u></u>
NET ASSETS / EQUITY				
Assets Acquired	2,264,497.95		2,264,497.95	
Revaluation Surplus	27,875,989.31		27,875,989.31	
Government Grant	125,985,944.54		116,047,416.23	
Other Grants	42,496,995.95		57,292,202.09	
Accumulated Profit / (Loss)	<u>(69,188,231.93)</u>		<u>(84,594,935.88)</u>	
		129,435,195.82		118,885,169.70
Total Net Assets / Equity		<u><u>129,435,195.82</u></u>		<u><u>118,885,169.70</u></u>

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31st December 2011

	2011	2010
	Rs.	Rs.
Operating Revenue *		
Revenue	159,752,138.01	105,068,663.91
Other Operating Income	582,135.81	724,726.94
Research Grant	<u>21,500,000.00</u>	<u>21,250,000.00</u>
	181,834,273.82	127,043,390.85
Operating Expenses *		
Personal Emoluments	94,431,614.60	75,271,903.22
Travelling & Subsistence	4,861,107.59	3,447,805.25
Supplies and Consumables Used	10,910,859.36	5,865,911.81
Repair & Maintenance	3,752,146.76	3,430,241.87
Contractual Services	34,669,079.72	24,605,763.30
Other Operating Expenses	<u>13,907,760.39</u>	<u>9,291,672.08</u>
Total operating expenses	<u>162,532,568.42</u>	<u>121,913,297.53</u>
Surplus / (Deficit) from operating activities	19,301,705.40	5,130,093.32
Laps Account	<u>25,000.00</u>	
	19,326,705.40	
Finance Cost	(17,853.23)	(10,225.00)
Non Operating Expenses	<u>(3,902,148.22)</u>	<u>(4,009,764.30)</u>
Total non Operating Revenue (expenses)	(3,920,001.45)	(4,019,989.30)
Net surplus / (deficit) for the period	<u><u>15,406,703.95</u></u>	<u><u>1,110,104.02</u></u>

CASH FLOW STATEMENT

For the year ended 31st December 2011

	Rs.	Rs.	Rs.
Cash flows from Operating Activities			
Surplus / (Deficit) for the year	15,406,704.00		
Research Grant	(21,500,000.00)		
Prior Year adjustment	458,109.00		
	<u>(5,635,187.00)</u>		
Adjustments for items not involving movement of funds			
Depreciation	5,508,892.00		
Provision for Gratuity	3,412,498.00		
Gratuity Payment	(295,165.00)		
Prior Year Adjustment	(458,109.00)		
	<u>(458,109.00)</u>		
Operating Profit before changes in Items of Working Capital	2,532,929.00	2,532,929.00	
Changes in items on working capital			
Decrease in Debtors (1991-2008)	798,902.00		
Increase in Inventories	(410,160.00)		
Increase in Refundable Payments	(45,000.00)		
Decrease in Working In Progress	3,957,899.00		
Decrease in Debtors (2009-2011)	4,120,732.00		
Increase in Sundry Receivable- Grants & Projects	(49,711,229.00)		
Increase in Deposits	(1,196,152.00)		
Decrease in Advances	6,120,353.00		
Increase in Pre payments	(199,768.00)		
Decrease in Sundry Creditors	(15,969,618.00)		
Increase in Accrued expenses	2,282,272.00		
Increase in Refundable Deposits	1,389,906.00	<u>(48,861,863.00)</u>	
Net Cash flows from Operating Activities			(46,328,934.00)
Cash flows from Investing Activities			
Purchase of Fixed Assets		<u>(31,079,180.00)</u>	(31,079,180.00)
Cash flows from Financing Activities			
Government Grant (Research & Procurement)		44,650,000.00	44,650,000.00
			<u>(32,758,114.00)</u>
Cash and cash equivalents beginning of the period			42,593,764.00
Cash and cash equivalents as at 31.12.2011			9,835,650.00

NOTES TO ACCOUNTS

1. FUNDAMENTAL ACCOUNTING ASSUMPTIONS

- (a) Going concern
- (b) Accounting Policies consistently applied.
- (c) Revenue and cost are accrued and recorded in the year to which they relate.

2. GENERAL ACCOUNTING POLICIES.

- (a) Depreciation is being provided for in the year of purchase up to 30th September each year from 2009 and any items purchases thereafter to be charged next year vide instructions of government audit.

Depreciation for the year on revalue items of lab and field equipment, vehicles, furniture and fittings charged to profit and loss accounts during the year.

- (b) Assets are depreciated on a straight line method as follows:

	%
Buildings	2.5
Machinery and Lab Equipment	20.0
Furniture and Fittings	10.0
Vehicles	20.0
General office equipment	20.0
Drawing office equipment	10.0
Tools	50.0
Library Books	5.0
Fire Extinguishers	10.0

- (c) Depreciation of assets has been deducted from Grants as stipulated in Para 24 of Sri Lanka Accounting Standards 24.
- (d) Materials are issued on first in first out basis and the closing stock valued at the last purchase price.

3. DEBTORS

Every possible steps were taken to collect the debts from 1987. Due to unavailability of records, and debtors from 1987 to 2002 appeared in books were written off as follows, with approval of Interim Management Committee (IMC) and Audit and Management Committee of NBRO and with the approval given by the Department of National Budget.

IMC Paper No. 04-10-2009	24,494.41
IMC Paper No. 01-2010	133,049.21
Dept. of Budget under FR 113-3	1,731,555.87
IMC Paper No. 01-01-2011	29,672.20

4. BASIS OF PROVIDING FOR BAD DEBTS GIVEN IN ANNEXURE 20 A**5. PROVISION FOR GRATUITY.**

Calculation of provision for gratuity is based in accordance with the gratuity act.

6. LAP ACCOUNT.

Refundable deposit - Action had been taken in accordance with FR 570 & 571.

7. LANDSLIDE MITIGATION PROJECT.

The long term (2009-2012) Landslide Mitigation Project "Mitigation and stabilization of slope in high risk landslide and rock falls sites in N'eliya, Kandy, Matale and Badulla" funded through Disaster Management Centre commenced in 2009. The total estimated cost of the project was Rs.160.93 Mn. However, funds have not been received as expected against the allocation of Rs. 36.0 Mn. for year 2009 and Rs. 35.0 Mn. for year 2010. Accordingly the project has been re-scheduled and will continue till end of 2012.

*The total operating expenditure includes expenses incurred for treasury funded, landslide hazard mapping project, Rs.21.5 Mn. and expenditure incurred on the mitigation project Rs.52.0 Mn. for 2011. However, Rs.36.0 Mn. from Disaster Management Centre for mitigation project, Rs. 4.0 Mn. for mapping project for November and December 2011 and Rs.6.5 Mn. for procurement of equipment have not been received from the respective agencies.

8. BUILDING APPROVAL PROCESS

NBRO has been assigned by the National Council for Disaster Management (NCDM) to issue building construction and development clearance certificates in landslide prone districts. Since March 2011, ten districts offices are in operation to carry out the process. Total operating cost for a month is Rs. 3.0 Mn. and therefore total expenditure has been worked out as Rs. 30.0 Mn. for the period of March to December 2011. This expenditure is expected to be received from the Treasury. However, NBRO has been able to recover Rs. 10.6 Mn. from the respective local authorities and individual applicants on issuing the certificate for a nominal fee.

HUMAN RESOURCE AND INFRASTRUCTURE DEVELOPMENT

Staff turnover is one of the inherent issues at NBRO during the recent past. Human resource and infrastructure needs of the institution are becoming a matter of serious concern with the increasing responsibilities the institution shoulder at present.

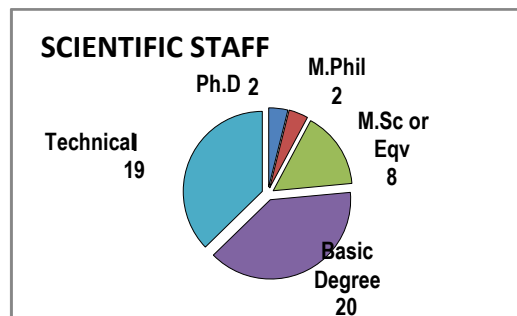
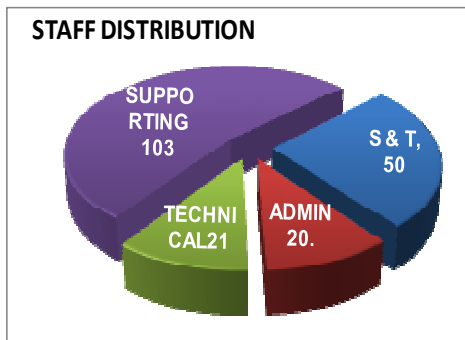
NBRO is considered as the national focal point for landslide risk management in Sri Lanka. Decisions have been taken to strengthen landslide risk reduction capacities of NBRO. As a disaster risk reduction measure, a landslide clearance certificates are now being issued to regularize building construction and development activities in landslide-prone areas in the country. This necessitated increasing of present staff strength by about 75 while setting up district offices in 10 landslide-prone districts.

The new scheme of Recruitment and Promotion was approved by the Department of Management Services in this year. Accordingly a cadre of 274 positions available to carry out the activities of the Organisation. A staff development program is underway.

Local and foreign training opportunities will be available for our scientists to enhance their experience and knowledge.

NBRO's Vision and Mission are set to develop its capacities to cater the Ministry's DRR needs. With this view NBRO is in the process of legalizing the institution mission by an act and developing staff capacities to deliver high standard outputs. To support this, institutional capacities have to be expanded to purchase more lab and field equipment and latest analytical software, attract foreign donors and collaboration.

During the year 2011 we were able to strengthen the capacity of equipment with the Assistance of the Government. 11.0 Mn. LKR was received to procure Resistivity Sounding & Imaging System for landslide and geotechnical investigation while Tri Axial Testing Equipment was commissioned to enhance the capacity of geotechnical engineering laboratory.



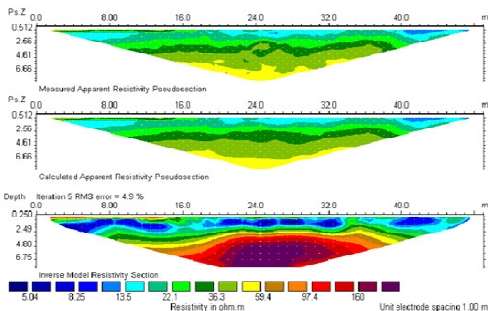
ELECTRICAL RESISTIVITY & TOMOGRAPHY –TERRAMETER LS



The instrument is a multi-channel, multi-purpose instrument with inbuilt high accuracy GPS receiver and high contrast display system



Complete System , (ABEM Terrameter LS)



Some results from the field resistivity 2D imaging survey. Complex mathematical analyses are handled by a computer program



Conducting a survey at proposed hospital site Hantana, Kandy (in the two day training program)

NBRO has received the Resistivity Sounding & Imaging System to strengthen its capacity for landslide and geotechnical investigations with the financial assistance from Government of Sri Lanka. This equipment is worth around 11.0 Mn. LKR.

This modern instrument, ABEM terrameterLS, is fully computerized, multi channel and multi electrode Imaging system, that greatly improve the quality of data and enormously reduce the survey time. This equipment can be used effectively in the current landslide mitigation activities.

This DC resistivity techniques, sometimes referred to as electrical resistivity, electrical resistivity imaging or vertical electric sounding, measure earth resistivity by driving a direct current (DC) signal into the ground and measuring the resulting potentials (voltages) created in the earth. From that data the electrical properties of the earth (the geoelectric section) can be derived and thereby the geologic properties inferred.

The equipment is capable to ,

- Measure bedrock & water table depth
- Detect solution features & voids
- Locate buried alluvial channels
- Identify fracture zones & discontinuities
- Map leachate contamination
- Define saline groundwater incursions
- Find abandoned mineshafts & workings
- Groundwater resource management and vulnerability
- Contaminant flow (Water / any liquid)
- Landslide Monitoring and Slip surface detection
- Mapping of natural resources
- Geothermal prospecting
- Geological mapping Bottom mapping (the sea and lakes)
- Monitoring of leakage (embankment dams, waste deposits etc.)
- Monitoring of moisture content
- Quality control (e.g. soil stabilization)
- Archaeology

The system is now extensively used to study areas having slope instability and results obtained are used for designing slope stability measures.

TRI AXIAL SHEAR TESTING APPURATUS



This **Triaxial Shear Testing Apparatus** has provided to NBRO under GOSL funds spending approximately 5.0 Mn. LKR. This apparatus is a semi automated equipment having facility to perform any type of advanced tri-axial test in geotechnical field. It is made in United Kingdom and brand of WYKEHAM FARRANCE. It has capacity to carry out tri-axial test up to 100 mm diameter samples with high accuracy. A computer controlled tri-axial test can be performed by this apparatus and graphical plots also available with this machine.

The shear strength parameters of the soil underneath obtained by performing tri-axial tests that are used to evaluate and to design safe and economical types of foundations for high rise buildings, dams, embankments, bridges, jetties, ports, airfield etc.

This equipment is very useful for slope stability measures and the currently carrying out landslide mitigation work in the hill country. With the procurement of this equipment capacity of the GED laboratory has increased and GED can provide services to the outside as this test is very important and rare in any laboratory in Sri Lanka.

PARTICIPATION IN NATIONAL PROGRAMMES

“ Deyata Kirula” Programme conducted in Monaragala

The NBRO exhibition stall was on display at the ‘Detyata Kirula Exhibition’ held in Monaragala. Models and posters were exhibited at the exhibition. NBRO staff members were deployed to explain the activities of NBRO and to educate the general public on landslide disasters.

STAFF RECRUITMENTS – 2011

No	Name	Post
1	Mr. D B Nimal Shantha	Un Skilled Laborer (Contract)
2	Mr. B V P Jayakody	Scientist- Corporate Affairs(Contract)
3	Mr. W E Pradeep Buddika	Un Skilled Laborer(Contract)
4	Mr. S A B Fernando	Un Skilled Laborer(Contract)
5	Mr. T G P Liyanagama	Un Skilled Laborer(Contract)
6	Mr.V P Danushka	Un Skilled Laborer(Contract)
7	Mr. H K A Kapila Senarathne	Un Skilled Laborer(Contract)
8	Mr.K L Rasika Ruwan Kumara	Un Skilled Laborer(Contract)
9	Mr. E V Thilakasiri	Semi Skilled Laborer (Contract)
10	Mrs.J Maheshika Gurusinghe	Administrative Officer(Contract)
11	Mr. G A N Pushpakumara	Un Skilled Laborer (Contract)
12	Mr. W Chamil Janakantha	Driver (Contract)
13	Mr. R H C S Rathnasiri	Scientist (Contract)
14	Mr. K R K Amarasena	Auditor (contract)
15	Mr. M Nalin Madushanka	Management Assistant (Contract)
16	Ms. L A Wayani	Management Assistant (Contract)
17	Mr. M D V Udayanga	Management Assistant (Contract)
18	Ms. L A P Madumali	Management Assistant (Contract)
19	Mr. L G D Nandana	Management Assistant (Contract)
20	Ms. R L P P Geethika	Management Assistant (Contract)
21	Mr. W G P U Kumara	Management Assistant (Contract)
22	Mrs. G S W S Piumali	Management Assistant (Contract)
23	Ms. P N Shamali	Management Assistant (Contract)
24	Ms. P G N Wicramarathna	Management Assistant (Contract)
25	Mr. Y S Chandrarathna	Management Assistant (Contract)
26	Ms. H M N K Heenkenda	Management Assistant (Contract)
27	Mrs. R M W Rathnayake	Scientist (Contract)
28	Mr. A Wanasundara	Scientist (Contract)
29	Mr. R W M D R Wanigasekara	Scientist (Contract)
30	Ms. P G A N Mahindawansa	Scientist (Contract)
31	Mr. E A S N Wimalawardhana	Scientist (Contract)

32	Ms. U L N I Liyanage	Scientist (Contract)
33	Mr. T P C Mahesh	Scientist (Contract)
34	Ms. D A S U Dasanayake	Scientist (Contract)
35	Ms. A U Wijenayake	Scientist (Contract)
36	Ms. J W M M P K Jayasinghe	Scientist (Contract)
37	Ms. H H Hemasinghe	Scientist (Contract)
38	Ms. W N C Apsara	Scientist/Engineer (Contract)

STAFF RETIREMENTS - 2011

No	Name	Post
1	Mr. G L Chandrasena	Technical Officer

STAFF RESIGNATIONS – 2011

No	Name	Post
1	W.A.N. Lakmali Kulasena	Scientist (Contract)
2	M.D.D.B. Abeykoon	Scientist (Contract)
3	Mr.A.T.R. Fernando	Scientist (Contract)
4	H.M.A.C. Jayakith	Scientist (Contract)
5	Mr.S.N.M. Wedikkara	Engineer
6	Mrs.M.M.P. Madurawala	Engineer
7	Mr.P.M.D.J. Pathiraja	Engineer
8	Mr.S. Wasanthan	Engineer
9	Mr.W.D.J. Fonseka	Technical Officer
10	Mr.K.M.S. Fernando	Architect
11	Mr.H.C.D.P. Colobage	Scientist
12	Mr. Rasanga Alwis Dias	Lab Assistant
13	Mr.Sunila Jayaweera	Scientist
14	Mr.G.L. Chandrasena	Technical Officer
15	.Mr.D.N.S.Wanniarachchi	Scientist (Contract)
16	Miss.Thilini Peris	Scientist (Contract)
17	Mr. Gamini Kodagoda	Technical Officer
18	Mr.J.R.P. Pushpakumara	Un Skilled Labourer

PARTICIPATION IN FOREIGN TRAINING – 2011

No.	Name	Training/workshop/Seminar	Country	Duration
1	Mr. R M S Bandara	Regional Capacity Enhancement for landslide Impact Mitigation (RECLAM)	Bangladesh	8th - 11th March 2011
2	M. K C Sugathapala	Technical Consultation on Toolkit for Disaster Recovery Practitioners	Thailand	5th April 2011
3	M. H R Maduranga	SAARC Training Programme on Landslide Risk Management	Kathmandu	2nd - 8th May 2011
4	Mr. K Senevirathna	Training Course on Elements of Seismic Monitoring techniques for Developing Countries	China	9th - 29th June 2011
5	Ms. S A M S Dissanayake	Water, Engineering and Development Centre (WEDC) 35th International Conference	Loughborough, UK	5th 8th July 2011
6	Dr. H A G Jayatissa	International Conference "Applied Geoinformatics for Society and Environment (AGSE)	Nairobi, Kenya	15th - 19th August 2011
7	Mr. K C Sugathapala	Technical Consultation on Toolkit for Disaster Recovery Practitioners	Thailand	2nd Sep. 2011
8	Ms. K M Weerasinghe	The Second World Landslide Forum	Italy	1st - 9th Oct. 2011
9	Mr. R M S Bandara	Resource Person for the SAARC Incident Command System (ICS)	Nepal	22nd - 30th Sep. 2011
10	Mr. H M L Indrathilake	Training Workshop on "Incident Command System"	Nepal	26th - 30th Sep. 2011
11	Mr. M D C Perera	Training Resilient Recovery UN ISDR Global Education and training Institute for Disaster Risk Reduction (GETI) and International Recovery Platform (IRP)	Korea	17th - 19th Oct. 2011
12	Mr. R M B Somarathne	Counterpart Training Programme under DIMCEP Plect	Japan	20th Oct. - 5th Nov. 2011
13	Mr. M R N C Weerasinghe	AUS AID Public Sector Linkage Programme - Capacity Building on Disaster management in SL	Australia	2nd - 10th Nov. 2011
14	Mr. R M S Bandara Mrs. K M Weerasinghe	The fifth Governing Board Meeting of the SAARC Disaster Management Centre	India	16th - 17th Nov. 2011

15	Mr. R M S Bandara	National Initiatives of Promotion of Earth Warning Mechanisms for Landslides Risk Management under RECLAIM Phase III	Bangladesh	3rd - 7th Dec. 2011
16	Eng. (Dr.) A Karunawardena	Disaster Risk Reduction in Asia, Identifying and minimizing opportunities for Action	Thailand	12th - 14th Nov. 2011
17	Dr. H A G Jayatissa Mr. Sunil Jayaweera	Training of Trainers "Ecosystem based Disaster Risk Reduction for Sustainable Development"	Thailand	6th - 8th Dec. 2011

PARTICIPATION IN LOCAL TRAINING – 2011

No.	Name	Type of Training	Institute	Duration
1	Ms. M M G Madurawala	ISO/SEC 17025 - 2005 Internal Auditing & Laboratory Management System	SLAB	20.01.2001 - 21.01.2011
2	Mr. B M R K Balasooriya	National Symposium on Disaster: reduction Mitigation and Management	SLGS	25.02.2011 - 26.02.2001
3	Mr. L A E L Perera	Development of Quality Manual and Operating Procedures based on ISO/IEC 170205:2005	SLAB	23.02.2011 - 24.02.2011
4	Ms. K M S Fernando	National Conference on Architecture Annual Sessions	SLIA	24.02.2011 - 27.02.2011
5	Mrs. J K Jayawardana Mrs. S V Dias Mrs. M Dissanayake Mrs. R Savitha Mrs. V I Nanthini Mr. H R Maduranga Mrs. B M A Basnayake Mr. P B S S A Wickramasinghe	Workshop on Effective Proposal Writing	NSF	25.02.2011
6	Mr. M D C Perera	World Meteorological Day	Dept. of Meteorology	23.03.2011
7	Mr. H G S Ariyaratne	Human Resources Development through Disciplinary Management	CSDM	11.03.2011 - 12.03.2011
8	Mr. N Weerasinghe	Disaster Management Training Programme	Ministry of DM	
9	Mr. R M S Bandara Mr. R M B Somarathne Mr. K M D L T Peiris	Annual General Meeting and Technical Sessions	GSSL	25.02.2011

10	Mrs. K Jayawardana Ms. Savitha	Disaster resistant Building for SL	University of Moratuwa	05.05.2011 - 08.05.2011
11	Mrs. R Thudugala Ms. W W Nadeeka	New Developments in TAX LAWS	Skills Development Fund Ltd.	
12	Ms. J M Gurusinghe	Workshop on SOR and Promotion Schemes	ICTAD	18.06.2011
13	Mrs. R Thudugala Mr. K Amarasena	How to minimise audit quarries in Govt. organisations	Sri Lanka foundation Institute	14.09.2011 - 15-09.2011
14	Dr. H A G Jayathissa Mrs. S K Muthurathne Mrs. S A M S Disanayake Mr. H D S Pemasiri	Training workshop on Foresight Analysis	NSF	27.09.2011 - 29.09.2011
15	Mrs. Sardanee Dias Mr. Dayan Munasinghe M. D D S Premasiri Mrs. A Basnayake	Training Programme on Preparation of Greenhouse Gas Inventory	Ministry of Env.	9.2011
16	Mrs. J K Jayawardena Mr. P Dharmasena Mr. H R Maduranga Mr. P M D J Pathiraja Mr. P H C S Rathnasiri	Urbanization, Climate Change and minimisation of Disaster Effects	SEC	28.09.2011
17	Dr. H A G Jayathissa Mrs. K M Weerasinghe Mr. P Dharmasena	Workshop on Fundamentals of Project Management	NSTC	28.09.2011
18	M. R M S Bandara Mrs. K M Weerasinghe Mr. M I D H Wijewickrama	Use of Space technology for Disaster Management	DMC	17.10.2011 - 21.10.2011
19	Miss. K M D L Peiris	Monsoon Forum	Dept. of Meteorology	04.11.2011

PROGRESS OF EACH DIVISION.

1. Landslide Studies & Services Division [LSSD]

Landslide Studies and Services Division during the reporting period of year 2011 conducted its activities under following main areas.

- i. Landslide Hazard Zonation Mapping
- ii. Landslide Mitigation Work
- iii. Landslide Awareness and Training
- iv. Landslide Early Warning
- v. Special Investigation
- vi. Research on Landslides
- vii. Issuance of Landslide Clearance Certificates

i. Landslide Hazard Zonation Mapping

As the main activity of the division, Landslide Hazard Zonation mapping work continued during this period at the Kalutara, Nuwara Eliya, and Galle districts under Government grant and as well as UNDP granted project.

Mapping of Kalutara district (420km²) were completed into 1:10,000 scales and completed the total area of 640km² (220km² in 2010 and 420km² in 2011). Preparation of Landslide Hazard Zonation maps into 1:50,000 scale covering Galle district and Hambantota district are completed 95% under Government grant.

Under multi hazard Risk Profile Preparation Project, granted by UNDP, through the Disaster Management Center (DMC) was completed and finalized landslide hazard zonation maps covering 440 km² at Nuwara Eliya district and 400 km² at Galle district. All the completed maps were handed over to DMC.

ii. Mitigation and stabilization of slope in high risk landslide and rock fall sites in Nuwara Eliya, Kandy, Matale and Badulla districts.

Landslide Mitigation work was commenced under government grant according to the proposal submitted by NBRO through DMC for the following areas.

a. Landslide Mitigation work at Peradeniya Landslide

First phase of the landslide mitigation work at Peradeniya Hazard area was successfully completed and NBRO could open the Kandy - Colombo main road for public use. Turfing the total area of 2500m² of excavated slope was completed and the construction of drainages is in progress. 75% of the total length were completed. Chemical blasting to shape the rock exposure in the down side of the excavated slopes was commenced. Removing of the 80% from the total area of 650m³ were completed. It is very difficult to go forward due to the unauthorized boutiques on the site. Several requests were done through the authorized organizations to remove them. Still the problem is stand still making the excavation delay

b. Landslide Mitigation work at Padiyapellella town area

Mitigation work at Padiyapelle town area was in progress during the year. Construction of the lower and middle level retaining walls was started. 60m (80%) length of the wall a (lower) and 50m (62%) length of the wall C (Middle) construction completed. Total length of 22m of the wall B was completed. Work is in progress.

c. Study on a ground subsidence at Matale area.

Preparation of zonation maps and distributing those to stakeholder at Matale district were completed. Preparation and distribution a leaflets related to the ground subsidence at Matale area were completed. Crack monitoring survey was commenced after installing crack monitoring equipments prepared by NBRO. Crack monitoring survey is in progress and the preparation of the final report is in progress.

d. Badulla district landslide hazard zonation map evaluation with the land use practice.

This activity also continued during the year and total field mapping was completed

iii. Landslide awareness and training

a Separate landslide awareness programmes were not organized by NBRO during this year due to lack of funds but landslide experts and resources from the division were participated for the awareness programmes organized by different government and non government organizations such as, Metrological Department, DMC, Universities, SLIDA, CHPB, UNDP, JICA, Red cross, Asian Foundation, etc.

b Directions and Guide lines were given to more than 38 Reach students from Universities and schools to conduct their B.Sc., M.Sc. thesis and school advance reports.

iv. Landslide early Warning

As the main focal point of landslide early warning in Sri Lanka, LSSD of NBRO gave it services, in time during the every rainy period throughout the year successfully. Project proposal submitted by LSSD to UNDP was accepted to install 100 automated rain gauges covering the landslide prone areas. Installation of automated rain gauges will help NBRO to issue more accurate real time landslide early warning to the people who are living in landslide prone areas of Sri Lanka. Selection of the main supplier of the rain gauges were completed and waiting for the approvals from the steering committee for UNDP activities. With the not availability of found at UNDP this project was given up.

Two numbers of automated rain gauges were received from the Norwegian Geotechnical Institute (NGI) under RECLAIM programme coordinated by Asian Disaster Preparedness Center (ADPC). Those two rain gauges were installed at Walapane and Peradeniya area.

v. Special Investigations

Landslide Investigations and recommendations were given during the year 2011, to the government organizations, NGOs and private sector. Among these investigations, division has completed very special investigations related to National projects and actively participated as a project approving organization at the EIA process of major development projects such as Kaluganga Hydropower project at Elahera area. Apart from the above following investigations including, quarry sites, mini hydro power projects, land deviation projects, gem mining sites, stability on soil excavation sites and building construction sites were conducted during the period.

List of Special Investigation - 2011

No	District	Investigations	
		Services	Consultancy
01	Badulla	120	66
02	Colombo	15	46
03	Galle	20	54
04	Gampaha	0	6
05	Hambantota	1	2
06	Kalutara	60	48
07	Kandy	118	583
08	Kegalle	184	346
09	Kurunegala	3	5
10	Matale	88	124
11	Matara	13	59
12	Nuwara Eliya	36	56
13	Rathnapura	40	29
Total		698	1424

vi. Special Projects

At the approval of the District Secretary, Nuwara Eliya District for the landslide mitigation proposal for the Mallhewa rock fall site at Kotmale divisional secretariat area was completed on 2011.

Investigation of the Grandiella landslide area was commenced on August 2011 and continued. Four numbers of drill holes covering total length of m were completed. Resistivity survey of the area was commenced by using the newly purchased resistivity imaging equipment. Total value of the investigation received from the treasury was Rs 5Mn. Two landslide sites were selected from Mahawewa, Walapane and Galaboda, Rathnapura to conduct detail studies for mitigation activities under JICA study program. All monitoring equipments were installed at these two sites on 2010 and the monitoring was in progress during the year 2011.

With the results from the monitoring data it was decided to introduce mitigation measures to the Galaboda landslide site by the JICA and NBRO teams. Designing of mitigation measures are in progress

vii. Research work

Special attention was not put for the research work due to lack of research personal and separate funds. But parallel to the landslide hazard zonation mapping, real time forecasting, and landslide mitigation work, most of our scientist use to analysis the data to develop the effective landslide early warning systems and effective as well as the better landslide mitigation methodologies

viii. Issuing Landslide clearance certificates /reports for any type of construction in landslide prone areas of Sri Lanka

After getting the approval from the Cabinet of Sri Lanka parliament, circular was issued to the all local government agencies and to the project approving agencies by the Secretary to the Ministry of Disaster management on 15th February 2011. With the results of the circular National Building Research Organisation was stabilized nine numbers of regional offices at Badulla, Nuwaraeliya, Kandy, Matale, Kegalle, Rathnapura, Kalutara, Galle, Matara and Hambantota districts with appropriate facilities from 1st March 2011. Process of issuing clearance certificates were continued during the year 2011. During the period of 1st March 2011 to 31st December 2011, 12,301 applications have been received. 11,485 investigations have been completed while 9995 clearance certificates have been issued.

2. Environmental Division [ED]

1 Sponsored research & consultancy work

The Division generates revenue by carrying out sponsored research projects and by providing consultancy services (such as quality assessment of water, wastewater, soil, sediment, testing building materials; monitoring and quality assessment of ambient air, gaseous emissions, noise and vibration levels; periodical environmental assessment projects; and environmental studies).

Research Project: Watershed/ water resource health assessment program for upper watershed of Kelani river basin (Period: 2010-2011):

This project focuses on establishing watershed/water resource health assessment program for upper watershed of Kelani River basin. In this regard, the upper watershed of Kelani River basin has been selected as a model project. This is a Stage 1 of this programme and the outcome of this is used to develop a monitoring tool to measure the health of the watershed, to evaluate the impacts of human interactions and to monitor the effectiveness of management efforts.

Selected project area is the upper watershed of Maskeli Oya and Kehelgamuwa Oya, which are two feeding streams of Kelani River and this area having 407 sq. km in extent, covers 54 G N Divisions within the Ambagamuwa DS division of the Nuwaraeliya district in the Central Province. The final report with an overview on past studies on watershed assessments with special reference to Kelani river basin has been submitted to DMC.

Several Stakeholder institutions and community organizations in the study area have been consulted when collecting information relevant to watershed. Available information covers data on administration, resources (forests, wild life), agriculture and plantations, land use, settlements, health and sanitation, water resource extraction for major and mini hydropower projects and community water supply projects, disasters and industries etc.

Final report covering the plan for water quality assessment, plan for stream flow measurements, data requirements, and data collection formats, information analysis methods and formats, with watershed information interpretation formats has been submitted DMC and UNDP, the funding organisations.

Consultancy project: Environmental Planning for Padiyapelala Landslide Mitigation Project (Period: 2010-2011):

Environmental Division prepared the Environmental Management Plan (EMP) for Landslide Mitigation Project at Padeiyapelella, a project that is implemented by Landslide Studies and Services Division of NBRO. The EMP detects potential negative impacts that would result due to project actions and also gives procedures/ plans to mitigate or minimize them.

Compilation of Environmental Status Report of Asia Power Limited and environmental monitoring of road and port construction projects, industry and thermal power plants were the important consultancy work for the year 2011.

3 Building Materials Division [BMD]

BMD provides **testing and quality control services** in the field of **building and construction materials** and assisting the industry in the implementation of quality control functions, disseminates information and research findings and provides know-how guidance and training. The division conducted training programmes on materials testing to engineers and technical officers from Northern Province as requested by Provincial Council authorities.

The BMD laboratory is well equipped to carry out all laboratory and field testing for construction industry including designing concrete mixes, load carrying capacity of buildings, destructive and non destructive testing of concrete structures, monitoring of quality of construction on testing of concrete, clay bricks and blocks, aggregates, cement timber, steel floor & wall tiles, building lime, stabilized soil blocks etc.

Summary of Consultancy work and Research in the year 2011

Type of Test/ Consultancy	No of Assignments carried out
1) Concrete Testing	1645
2) Reinforcing & structural steel	299
3) Miscellaneous Testing	404
Total	2348

Research Studies

- 1) Existing cube test results were analysed and studied for consultancy purposes
- 2) Calibration curves for Rebound Hammer and Windsor Probe were plotted using laboratory trials

Special Project

New testing programme was implemented on Glass Fibre Reinforced Plastic Materials.

This was undertaken at the request of Solas Marine (Pvt) Ltd and the test was witnessed by representative from Indian Registration of Shipping.

4. Geotechnical Engineering Division [GED]

The main tasks of Geotechnical Engineering Division (GED) are to carry out research & development and to provide technical services for disaster risk reduction and safer built environments in the field of geotechnical engineering. Research on understanding the behaviour of residual soil, expansive soil and peaty soil and finding appropriate construction technologies over the problematic soil types are the main interest.

GED has established its reputation as a recognized body to carry out geotechnical investigations including ground exploration and testing of geo material in its well equipped laboratory. The geotechnical engineering laboratory carries out all field testing and laboratory testing ranging from simple classification tests to highly advanced soil tests such as Triaxial and Consolidation Tests and is capable of providing all soil parameters required for the design of structures. GED is working together with Landslide Services and Studies Division (LSSD) for analyzing slope stability and finding out appropriate counter measures for stabilizing potentially unstable slopes which are vulnerable to disasters.

Geotechnical investigation projects undertaken

Project No	Description	Client
23956	G.I for Garadiela landslide mitigation project	DMC/LSSD
23655	G.I at No. 03, slipway SLN Dockyard, Trincomalee	SL Navy
23779	Proposed development activities for Nivitigala town development project	Nivitigala Pradeshiya Sabha
23816	Proposed five storied building for Public Services Commission Uva Provincial at Keppitipola Road, Badulla	Uva Provincial Council
23252	Construction Supervision of Geotechnical Investigation works - Southern Transport Development Project at Kottawa to Kurundugahahetekma	Oriental Consultant Company Limited
23252.37A	Construction Supervision of STDP JBIC funded section Kottawa to Kurundugahahetekma	Resources Development Consultant Limited
23755	Sewerage pumping station in Colombo - Topographical Survey and site investigation	Colombo Municipal Council
23795	Soil Investigation for the LIC Housing Project - Salamulla	Sri Lanka Land Reclamation & Development Corporation
23814	Soil Investigation for Proposed Building Construction site at Industrial Estate in Achchuveli	Industrial Development Board of Ceylon
23830	Provision of lab facilities for the construction project of Ministry of Defence and Tri forces HQS at Akuregoda - Battaramulla	Ministry of Defence

5 Project Management Division

PMD provided consultancy services to building projects of public and private sectors that included architectural & structural designs, quantity surveying, electro-mechanical engineering work, and project management services like preparation of tender documents, tender evaluations, selection of the contractors, contract administration and construction supervision to achieve the quality standards during the construction period. Condition assessment and evaluation of damages in the existing buildings and preparation of condition reports including recommendations for defects rectification and structural stability are also undertaken.

Division provides Consultancy Services for the building projects and other related work for government and non-government organization which includes the following.

- ✚ Designing and preparation of Architectural, Structural and Services Drawings etc.,
- ✚ Preparation of tender documents, calling for tenders, tender evaluation and advice on selection of a contractor.
- ✚ Project Management Services including quality control, construction supervision during construction period and certificates of contractual payments.
- ✚ Investigation on structural safety of buildings and associated structures, advice on architectural and other specialized services for improvements to existing buildings and other related structures and submit status / condition reports on the same.
- ✚ Carry out maintenance work.

Assignments undertaken during the year 2011

i Building Projects -

- ✚ Providing Consultancy Services for Repair & Refurbishment work of the Superior Courts Complex & Ministry of Justice.
- ✚ Preparation of Structural drawings for Proposed T.B. Illangaratne Stadium at Mulleriyawa.
- ✚ Consultancy services for Construction of Proposed Commercial Complex at Hunupitiya for Kelaniya Pradeshiya Sabha.
- ✚ Consultancy services for Construction of Proposed Bus Stand and Shopping Complex at Kelaniya - Phase II for Kelaniya Pradeshiya Sabha.
- ✚ Consultancy services for construction of Proposed Montessori Building at Hunupitiya for Kelaniya Pradeshiya Sabha.
- ✚ Consultancy services for construction of Proposed Community Hall and Library Building at Baraneskanda, Pilapitiya.
- ✚ Supervision of Substructure Work of Proposed Compositing Facility at Karadiyana for Waste Management Authority.
- ✚ Renovation of Two Storied Building at Killinochchi Central College at Killinochchi

ii Land Fill Sites -

- ✚ Full time Construction Supervision of work and certification of the Progress Payments and served as Engineer's representative to the Construction of High Altitude Sports Complex cum Sport Training Centre at Nuwara Eliya (Phase I) for Urban Development Authority. (Temporary suspended)
- ✚ Project Management Services for construction of Drainage System, Access Road, and Land Reclamation at Kolambage Mawatha, Kirullapone for Urban Development Authority. (Temporary suspended)

iii Miscellaneous Reports -

- Condition Reports - 51 Nos.
- Tender Evaluation Reports - 10 Nos.



6. Human Settlements Division [HSD]

During the year under review HSD carried out program related to human settlements disaster risk reduction, disaster resilient housing constructions, disaster risk evaluations and training & awareness projects. Apart from the above areas HSD has produced land use map and landform map for the Landslide Hazard Mapping Programme

Consultancy Work

- Settlement Adaptation and Construction Guidelines for Landslide Mitigation at Peradeniya Town. Client - Disaster Management Centre/ LSSD
- Project Justification and Human Settlements Study of Landslide Hazard Mitigation Project in Padiyapellela Town (Phase II)
Client- Disaster Management Centre /LSSD
- Clearance for Development/ Building Construction in Landslide Areas – Human Settlements Risk Management and Communication Strategy
- Pre-test Study of the Climate Change Adaptation Research Project in Mahaweli Catchment Area - Seminar on “Making Climate Resilient Built Environment” – 12th May 2011. Client- Vanderbilt Institute for Energy & Environment, Vanderbilt University, USA
- Study of Existing Environment for EIA for the Mass Scale WTE Project at Kaduwela. Client - Renew GEN Enviro Ventures Pvt. Ltd., Bangalore, India
- Initial Environmental Examination Study for the IEE Proposed Urban Park at Polonnaruwa, Thamankaduwa Pradeshiya Sabha. Client- Thamankaduwa Pradeshiya Sabha
- Technical Consultation for Development of TGLLI Toolkit of ADPC. Client - Asian Disaster Preparedness Centre

Training & Workshops Organised

- Training Programme on Risk Management of Human Settlement for Regional Level Planning Decision Making Officers
Sri Lanka Water Partnership – International Water Management Institute (IWMI)
- Workshop on “Implementation of Landslide Area Development/ Building Clearance Process Human settlements Risk Management & Communication Strategy” –for Media person Sri Lanka Water Partnership – International Water Management Institute
- Refresher Course on Geo Technical Design.
Institute of Engineers Sri Lanka (IESL)
- Training Programme on Disaster Resilient Construction Techniques for Masons and Carpenters” in Hambantota District (Amaraviru Piya Maga 20) at Mahanaga Mandiraya (2011-08-20) -UNDP
- Training Programme on Disaster Resilient Construction Techniques for Masons and Carpenters” in Hambantota District (Amaraviru Piya Maga 20) at Weeraketiya Central College
Holcim Lanka Ltd.

Research

Landslide Hazard Mapping Project

Work done

Preparation of Land use maps of Galle District mapping work include 80/25, 80/24, 86/04, 86/05, 86/09, 86/15 (completed).

Preparation of Landform maps of Galle District mapping work include 80/25, 86/04, 80/19, 80/15, 80/20, 80/24, 86/15, 86/05, 86/09 (completed).

Preparation of Land use maps of Kalutara District mapping work include 74/07, 74/12 (completed).





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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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My No }

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திகதி } 26 September 2012
Date }

The Director General
National Buildings Research Organization

Report of the Auditor General on the Financial Statements of the National Buildings Research Organization for the year ended 31 December 2011 in terms of Section 14(2)(c) of the Finance Act. No. 38 of 1971.

The audit of financial statements of the National Buildings Research Organization for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the income statement, 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. My comments and observations which I consider should be published with the Annual Report of the Organization 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 furnished to the Director General of the Organization on 30 June 2012.

1:2 Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles 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. 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 judgments, 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 Organization'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 Organization'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 qualified 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 Buildings Research Organization as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the total debtors of the Organization as at the end of the year under review amounting to Rs.24,548,218 letters of confirmation had not been received from 38 debtors amounting to Rs.3,578,389.
- (b) Out of the total debtors balances as at the end of the year under review amounting to Rs.24,548,218 a sum of Rs.7,397,411 represented balances remaining receivable over periods ranging from 05 to 15 years. No steps whatsoever had been taken even during the year under review for the recovery or the elimination of those balances.
- (c) The recovery of the sum of Rs.851,064 remaining recoverable over a period of 15 years from the Department of Registration of Persons, included in the above debtors balance had been referred to the Attorney General. Even though the Attorney General had furnished a decision for the recovery of the money on 06 April 2010, action had not been taken for the recovery of the money even up to the end of the year under review.

(d) The total of the creditors as at the end of the year under review amounting to Rs.2,084,027 and the creditors balances older than 07 years and 23 years amounted to Rs.1,859,489 and Rs.116,566 respectively. Adequate evidence or confirmation of balances were not available, and no action had been taken for the settlement of the balances.

(e) In terms of Financial Regulation 371(5) all advances granted should be settled on 31 December of the financial year. But the advances not so settled as at the end of the current year amounted to Rs.224,890.

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

The following non-compliances were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

(a) Financial Regulations

- (i) Financial Regulation 371 (2)(b) (i) — Even though the advances granted to officers of the Organization for various purposes should not exceed Rs.20,000 in each instance, contrary to such limit, the organization had granted advances amounting to Rs.772,008 in 21 instances.
- (ii) Even though each officer should settle the previous advance before obtaining an advance for other purposes, the advances obtained by 09 officers for 43 activities on the same day or a closeby date totaled Rs.802,850 and those advances had not been settled in terms of the Financial Regulation even by 31 December 2011.

- (ii) Financial Regulation 371 (2)(b) Even though the advances obtained should be settle immediately after the completion of the purpose, according to the records maintained by the Organization, advances amounting to Rs.343,500 granted in 19 instances had been settled after delays ranging from 01 month to 06 months.
- (ii) Financial Regulations 757 (1)(b) and 757 (2) According to the Board of Survey conducted by the Organization in the year under review, 37 excesses and shortages had been detected. But those had not been recorded in the Board of Survey Reports.
- (b) Public Administration Circular No.41/90 of 10 October 1990 Fuel consumption of the 12 motor vehicles owned by the Organization had not been tested in accordance with the circular instructions
- (c) Circulars of the Organization Circular No.NBRO/CIR/2011/03 dated 07 April 2011 Sums totaling Rs.581,826 exceeding the limit had been paid to the suppliers in 43 instances for 10 hired motor vehicles used by the Organization and approval had not been obtained in that connection.

2.4 **Transactions without Authority**

Even though sums of Rs.17.5 million and Rs.15 million had been obtained from the General Treasury in the current year for the mapping of land slides and purchase of capital assets respectively, expenditure amounting to Rs.43 million at the rate of Rs.21.5 million had been spent thereon. The approval of the General Treasury had not been obtained for the additional expenditure of Rs.10.5 million exceeding the provision obtained.

3. Financial Review

3:1 Financial Results

The operations of the Organization for the year under review had resulted in a surplus of Rs.15,406,703 as compared with the corresponding surplus of Rs.1,110,104 for the preceding year, thus indicating an improvement of Rs.14,296,599 in the financial result. The main reason for the improvement of the financial results had been the 43 per cent increase in the income of the year under review.

3.2 Analytical Review

The targeted income from the activities carried out by the Organization amounted to Rs.170.5 million and income amounting to Rs.169.7 million or 99.5 per cent had achieved. The achievement of income of the Human Settlement Division had been 44 percent. Income exceeding 70 per cent of the targeted income of the Building Materials Division, Geo-technical Engineering Division, Land Slides Studies and Services Division, Environment Division and Project Management Division had been achieved.

4. Operating Review

4:1 Performance

A major function of the National Buildings Research Organization is the prevention of disasters, the upgrading of the living conditions of the Sri Lankan Community and the supply of research and technological services for the sustainable development of the constructions sector. The primary function at present are the mapping of zones prone to disaster, maintenance of projects for minimizing land slides and the issue of conformity certificates for construction activities. The performance in that connection as at the end of the current year is given below.

(a) Mapping of Zones Prone to Land Slides

The Mapping of Zones Prone to land slides had been commenced utilizing the financial aid received from the United Nations Development Fund and Treasury grants had been received from the year 1990 up to the year 2011.

Treasury grants amounting to Rs.327.30 million had been received by the year under review and the expenditure incurred thereon amounted to Rs.303.33 million. The mapping for the year under review included the completion of 16 maps of the Kalutara District and the preparation of all the 16 maps had been completed by the end of the year under review.

(b) Land Slides Mitigation Project

A land slides Mitigation Project for the Kandy, Badulla, Nuwara Eliya and Matale Districts commenced in the year 2009 was scheduled for completion in the year 2011. The total estimate for the Project amounted to Rs.150 million and the Disaster Management Centre had employed the funds as shown below.

Year	Receipt of Money from the Disaster Management Centre	Expenditure Incurred
-----	-----	-----
	Rs. Millions	Rs. Millions
2009	34.8	34.80
2010	51.0	35.00
2011	-	43.62

This work is executed by the land slides Study and Services Division of the Organization and the money received for the project is brought to account as the income of the relevant Division and the entire amount had been brought to account as the expenditure of the Organization. As the project had not been completed even by the year under review, the total expenditure incurred amounting to Rs.43.62 million should have been shown under the work in progress. But action had not been taken to do so.

(c) Issue of Reports on Special Studies on Land Slides

National Buildings Research Organization carries out special studies and supplies reports on the requests made by the District Secretaries and

Divisional Secretaries of areas with disaster risks. The General Treasury had estimated in the year 2011 to provide a sum of Rs.10 million annually to the Disaster Management Centre.

The following observations are made in this connection.

- i) National Buildings Research Organization had earned an income of Rs.3,221,885 on 190 land slides investigations in the year under review on the requests made by the District Secretaries and the Divisional Secretaries. A sum of Rs.2,085,939 out of that had been received during the year and a sum of Rs.1,135,946 remained receivable.
- ii) Even though a sum of Rs.3,411,229 had been shown under the current assets in the Financial Statements as receivable for special studies and the supply of reports, the investigation reports to that value had not been furnished to audit.

4.2 Management Inefficiencies

The following matters were observed.

- (a) According to the Procurement Plan prepared by the Organization, it had been proposed to obtain a sum of Rs.21.5 million from the Treasury for the purchase of fixed assets for the year under review while the need for the purchase of capital items valued at Rs.19 million for the year under review had been submitted. Nevertheless, the Organization had purchased capital assets valued at Rs.23.65 million which exceeding the requirements of the Procurement Plan. A sum of Rs.17 million for that had been received from the Treasury. Evidence in support of approval obtained for exceeding the limits of purchase had not been furnished to audit.
- (b) The Interim Management Committee of the Organization approved a sum of Rs.35 million for 40 items of expenditure of the two main projects of Padiyapelella and Peradeniya of the Disaster Mitigation Project. An estimate of Rs.30.16 million had been prepared for the 14 important items of the project and a sum of Rs.34.42 million had been spent in the year under review. As such it was observed that a sum of Rs.4 million exceeding the estimate had been spent, thus indicating that the control and guidance of the Management had not been discharged properly.

(c) An estimate of Rs.4.87 million for carrying out improvements to Main Building Premises of the Organization had been approved at the meeting of Interim Committee held in January of the year under review. But the Organization had failed to commence the work during the year.

4.3 Approved and Actual Cadre of the Organization

The approved Cadre of the Organization as at 31 December 2011 had been 274 and the actual cadre had been 157 and 67 officers recruited on contract basis.

The approval of the Department of Management Services for the cadre, the Scheme of Recruitment and the Organization Chart had been obtained by the Organization in the year under review. The recruitment had been delayed as the approval of the National Salaries and Cadre Commission had been received only in the year 2012.

5. Accountability and Good Governance

5.1 Procurement Plan

The Procurement Plan had not been reviewed and updated in accordance with the requirements of the Organization and as such purchases exceeding the Capital grants received from the Treasury had been made.

5.2 Budgetary Control

The actual expenditure incurred under 7 Heads of Expenditure had exceeded the budgeted expenditure limits by a sum of Rs.19,043,735. Such excesses in expenditure ranged between 1.5 percent and 99 percent of the provisions. Nevertheless, the information on the approval obtained for incurring expenditure over the limits had not been furnished to audit.

6. Systems and Controls

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

- (a) Debtors
- (b) Budget
- (c) Procurement Plan
- (d) Grant and Settlement of Advances

H.A.S Samaraweera

Auditor General





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Director General }

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தேசிய கட்டிட ஆராய்ச்சி நிறுவனம்
NATIONAL BUILDING RESEARCH ORGANISATION

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Our Ref] NBRO/DG/AUDIT/2011

Your Ref] DR/G/NBRO/FA/2011

Date] 17.10.2012

Auditor General
Auditor General's Department
No 306/72, Polduwa Road
Battaramulla

**Report of the Auditor General on the Financial Statements of the
National Building Research Organisation for the year ended 31st December 2011 in
terms of Section 14(2) (c) of the Finance Act No. 38 of 1971**

With reference to the Auditor General's Report No. DR/G/NBRO/FA/2011 dated on 26TH September 2012, I forward herewith following clarifications.

2.2 Comments of the Financial Statements

2.2.1 Accounts Receivable and Payable

- Letters for debtor confirmation had been sent to 38 debtors and they have not replied. Most debts have been covered by these 38 letters.
- After performing every effort to recover 5 to 15 years old debts including sending reminders, for which satisfactory replies were not received, it has been presented to the Department of Public Finance at General Treasury for writing off the remaining balance with the approval of the Secretary of the ministry.
- Department of Attorney General by their letter dated 6th April 2010 advised to the client, Department of Registration of Persons to settle the payment of Rs. 854,064 to NBRO. But the Department of Registration of Persons informed by their letter dated 31-05-2010 that funds are not available for settling the debts. Considering these facts, the Secretary of the ministry has requested in writing to Department of Public Finance to provide necessary funds to our institution.
- The total of the creditors as at the end of the year under review Rs.1,857,489 is the amount payable in audited accounts older than 7 years, and relevant documents are unavailable on these creditors.

The sum of Rs. 116,566 is a credit balance that has been brought forward from year 1987 and relevant documents are unavailable on these creditors. Out of creditor payments of Rs. 1,740,923, the sum of Rs. 740,923 is the amount paid in excess to that of invoiced amounts by creditors. Amount paid in excess is not entirely creditor balance and this matter has been referred to the Interim Management Committee (IMC) for their advice.

- (e) Finance Division has advised NBRO officers to settle cash advances taken before 31st of December each year. All effort has been taken to have cash advances settled on time. It has been noted to correct the situation in future.

2.3 Non-Compliance with Laws, Rules, Regulations and Management Decisions

(a) Financial Regulations

(i) Financial Regulation 371 (2) (b)

(i) It is very difficult to adhere to the upper limit of Rs. 20,000 stipulated in the Financial Regulation 371 (2) (b) for cash advances in the field work and research conducted by our institution. For an example, nearly Rs. 1 m is circulated in the field work of landslide mitigation work. The progress of this project work will be hindered if cash advances are restricted to the stipulated upper limit. Similarly work will be adversely affected by adherence to given upper limit in long-term geotechnical investigations carried out by Geotechnical Engineering Division sometimes in far places like Jaffna, or in awareness programmes carried out by Human Settlements Division. Therefore, when in carrying out field work at distant places and conducting awareness programmes in outstation, adhering to this upper limit is found to be detrimental to the institution commercially. As a result, presently our institution is in the process of requesting the permission of the Treasury to increase the upper limit for these specific works. It is noted to adhere to the upper limit with difficulty until the permission to increase the upper limit is given by the Treasury.

(ii) Cash Advances

The cash advances referred are advances taken for field work. Often, officer has to work with a group of laborers in field for one month or more at a stretch. During this period the officer has to obtain funds for various expenses. For an example, advance is paid to the officer for covering rent, labor wages, fuel for machinery, repair charges for machinery, and transport fares etc. Such advances are taken as short-term cash advances and they are spent under many different cost items. Also, it becomes difficult sometimes to settle one advance before taking the next advance as that disrupts completion of work efficiently and at the same time, hinders the institution goal of earning revenue timely. In such situations, there are no suitable alternatives too. However, officers are instructed to settle cash advances as early as possible in such circumstances, and this difficulty may not rise again if approval of the Treasury is obtained to increase cash advances for specific work such as field work.

(ii) Financial Regulation 371 (2) (b)

These cash advances are mainly advances taken for long-term project work in outstations, well away from Colombo. Such advances are taken for expenses of the field work, and at the completion of work, all advances are duly settled. When the work is in progress, it is difficult to come to Colombo to settle the advances as that is expensive and at the same time, disruptive to work being done as it lowers the officer's presence in the site. It is also possible for an officer in a distant site on completion of work in that site may be urgently

instructed to report to another distant new site, and as a result, officer may not be able to come to Colombo and settle previous advances until work in the second site is complete. It has been noted in many such cases where officers from one distant site moves to another distant site as the works should be completed urgently, settling of cash advances have been delayed. Most of such project works are urgent as these have to be completed in a very limited timeframe. Completion of such work efficiently in time is beneficial to the institution and failing to completion on time may even result in payment of fines which is an economic loss to the institution. However, officers have been instructed to settle advances timely and improve the present situation.

- (ii) **Financial Regulation 757(1) (b) and 757 (2)** There can be excesses and shortages between divisions of the institution but there are no excesses or shortages of the institution as a whole. Excesses or shortages between divisions occur because of transferring items from one division to another, and instructions have been given to maintain and update documentation from now to improve this situation.

- (b) Public Administration Circular No. 41/90 of 10th October 1990
Instructions have been given to the concerned officer to check fuel consumption and by now, most vehicles have been checked.

- (c) **Circulars of the Organisation**

Circular No: NBRO/CIR/2011/03 dated 07 April 2011

This circular was issued at the time of starting the district offices to establish control internally. However, at a review later it was noted that it has been impractical to work within these set limits and as a result, steps have been taken to revise this circular.

- 2.4 **Transactions without Authority**

Rs. 21.5 Mn. each was spent for the Landslide Hazard Mapping and procurement of capital goods. For the year under review the Treasury approved these funds (Annexure 1) and funds were spent within the allocation and a request was forwarded to the Treasury for undisbursed sum. (Annexure 2) Therefore, the expenditure was made within the funds approved by the National Budget of the Treasury.

3. **Financial Review**

3.1 **Financial Results**

Financial results were noted for further reference.

3.2 **Analytical Review**

Consultancy work has been secured in spite of competitive market situation.

4. **Operating Review**

4.1 **Performance**

(a) **Mapping of Zones Prone to Landslides**

Performance was noted for further reference.

(b) **Landslide Mitigation Project**

Expenditure on Landslide Mitigation Project has been accounted under general expenditure of the institution. This has been corrected from 2012.

The work components for the year 2011 in Landslide Mitigation Project were completed within that year. As corresponding funds were not received, it has been shown under the receivable account. As the work has been completed the Treasury agreed to release said funds as an additional funding.

(c) **Issue of Reports on Special Studies on Landslides**

- (i) Rs.3,221,885 has been requested as reimbursement out of which Rs.2,085,939 was received in 2011. The balance of Rs. 1,135,946 was received in 2012.
- (ii) Although it has been shown that Rs.3, 411, 229 has been requested as reimbursements for Issue of Reports on Special Studies on Landslides, the sum of Rs. 1,135,946 is for issuance of reports for special studies and the balance of Rs. 2,275,283 is the reimbursement requested for issuance of Landslide Risk Assessment Reports for building approval process. Accordingly, Rs. 6,588,771 was received with reference to Rs. 10.0 m funding approved by the Treasury for this purpose, and the balance to the value of Rs. 3,411,229 has been shown in Final Accounts under Current Assets and claimed as funds receivable from the Disaster Management Center. (Refer Annexure 3)

4.2 Management Inefficiencies

(a) Department of National Budget of the Treasury has requested the Treasury Operations Department to release Rs. 21.5 Mn. to procure capital goods for the year under review. Tenders were called according to the Procurement Plan and Tenders were awarded. There was a delay in releasing funds from the Treasury and as tenders had been awarded, payments were made using earned revenue of the institution. This procurement included the purchase of essential laboratory equipment to the value of Rs. 501,281. In addition, an additional allocation of Rs. 1,650,00 was received for purchasing motor bicycles for which the approval of the Treasury has been granted.

(b) The 14 items under reference are the most important cost items of the Landslide Mitigation Project. These cost items include salaries, wages, overtime, transport, purchasing of other materials, subcontract payments, labor charges etc. There can be inconsistencies in cost estimates due to technological difficulties arising while implementing landslide mitigations projects that are complicated in nature and having the hazard risk of almost 100%, but the effort has been taken to complete the project within the total project estimate approved by the IMC. Although there can be contingencies in the project, cost estimates have been made accurate as far as possible.

(c) Approval of IMC was obtained for the improvements of the main building but approval and funds from the Treasury could not be obtained. It was necessary to retain revenue earned by consultancy work as the working capital as a result of which this building improvement work could not be done.

4.3 Approved and Actual Cadre of the Organisation

Steps have been taken to recruit the approved cadre according to the Scheme of Recruitment.

5. Accountability of Good Governance

5.1 Procurement Plan

Procurement of capital goods for the institution has been done according to the Procurement Plan, within the predetermined time frame. In addition, tenders were called for the supply of essential laboratory and field equipment and purchases were made for Rs. 500,000 as approved by the Departmental Tender Board. It was noted to timely revise the Procurement Plan.

5.2 Budgetary Control

Expenditure under the 10 budgetary categories under reference exceeded the allocations because nine new district offices were opened from March 2011 to issue Landslide Risk Assessment Reports for any building or construction work in landslide-prone districts. When budgets were made in 2011, this situation of opening nine district offices was not known. As a result, no budget provisions were made for district offices. Then, after opening the 9 district offices, expenditure over the budget allocations occurred as it became necessary to pay the rent, transport, printing and stationery costs, purchasing other materials, etc. In addition, the work involvement in several landslide studies was more than the estimated quantity and as a result, materials requirement was more. As a result the expenditure on other materials exceeded the estimated value.

However, all these expenditure were made within the total budget of the institution. In all the budgetary fund transfers, the approval of the Director General had been taken and the corresponding Commitment Sheets were attached to the payment vouchers.

6. **Systems and Controls**

The deficiencies in systems and controls have been noted for corrective actions.



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